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UNCLAS SECTION 01 OF 02 DUBLIN 000493

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COMMERCE FOR ITA/MAC/ROBERT MCLAUGHLIN
COMMERCE FOR ITA/MAC/ADVOCACY CENTER OR PAT NUGENT
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SUBJECT: AMBASSADOR ADVOCATES FOR BOEING AND CBP WITH AER
LINGUS CEO

REF: DUBLIN 361 AND PREVIOUS

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¶1. Summary: In a May 2 meeting with Aer Lingus CEO Dermot Mannion, the Ambassador advocated Boeing aircraft for the carrier's long-haul needs and sought Mannion's help in pushing the Dublin Airport Authority (DAA) to upgrade U.S. Customs and Border Protection (CBP) operations in Ireland. Mannion said that the Boeing offer was attractive, and he noted that Aer Lingus would decide between Boeing and Airbus at roughly the same time as the carrier's likely stock flotation in September. He also observed that Aer Lingus could enjoy the full benefits of trans-Atlantic Open Skies only if Dublin's new terminal were sized to accommodate rising passenger volume and to enable CBP to conduct full pre-clearance (adding agricultural and customs checks to passport screening.) Mannion added that Aer Lingus needed clarity on the prospects for the U.S.-EU aviation agreement, including the phase-out of the Shannon Stop requirement, in order to start planning for the 2007-2008 winter travel season. Post will continue efforts to press the case for both Boeing and CBP in our regular discussions with industry, the Irish parliament, and the GOI. End summary.

Advocacy for Boeing

¶2. In a May 2 meeting with Aer Lingus CEO Dermot Mannion, the Ambassador strongly advocated Boeing's 787 Dreamliner for the carrier's long-haul needs. Mannion replied that Aer Lingus would probably decide between Boeing and Airbus at roughly the same time as the carrier's stock flotation, expected in September. He added, however, that aircraft orders might also have to await the Dublin Airport Authority's decision on the size of Dublin's planned second terminal, which would determine the number of gates available to Aer Lingus planes (see para 4). He noted that "the door remains very open to Boeing," and he observed that Aer Lingus would take advantage of Ex-Im Bank financing options if Boeing were to win the aircraft bid. Mannion also recounted his efforts to quash press reports that Airbus had secured Aer Lingus' long-haul aircraft orders, following on the carrier's deal to acquire four Airbus A-330s in 2006-2007 for intra-European service. Noting recent reports on the Airbus A-350's design flaws, the Ambassador stressed Post's intention to continue advocacy for Boeing. Mannion recommended that emboffs speak with members of the airline's newly formed aircraft purchases evaluation team.

Needed Clarity on U.S.-EU Open Skies

¶3. Aer Lingus needs clarity on prospects for the U.S.-EU aviation agreement, including the U.S.-Ireland annex, to plan future trans-Atlantic service, said Mannion. He explained that Aer Lingus sold seats 300 days in advance and was already preparing its tentative schedule for the 2007 summer season. A delay until October 2006 in the signing of the U.S.-EU agreement would only give Aer Lingus enough time to plan for the 2007-2008 winter season. Mannion expected, however, that Aer Lingus would launch service to San Francisco in 2007 as the first of the three additional U.S. points that Aer Lingus would be permitted to serve under the U.S.-Ireland annex to the U.S.-EU agreement. He also remarked that, due to the uncertain timing of the U.S.-EU agreement, the Irish Department of Transport intended to re-engage with USG negotiators on the U.S.-Ireland annex during U.S.-EU aviation discussions the week of May 8. (Under the annex, October 29, 2006, is the start date for the phase-out of the current "Shannon Stop" requirement, by which U.S. and Irish carriers may operate one non-stop flight to/from Dublin for each non-stop flight to/from Shannon.)

Right-sizing Dublin Airport for Aer Lingus and CBP

¶4. With the April 5 Irish Cabinet decision to privatize Aer Lingus through a stock flotation, the carrier's next goal was to ensure that Dublin Airport's planned second terminal would meet the carrier's needs, observed Mannion. He noted that the Dublin Airport Authority (DAA) had aimed to submit the planning application for the new terminal this month, a target that now would not be met. Mannion cautioned that further delay with the planning application would seriously jeopardize the terminal's scheduled opening in 2009. On the

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upside, the delay had allowed Aer Lingus more time to consult with the DAA on the terminal size required to accommodate the carrier's rising passenger volume projections. The Ambassador cited an April 28 Irish Times report that Aer Lingus and Ryanair had convinced the DAA on the need to expand the planned terminal, at a possible extra cost of euro 100 million. Mannion responded that whereas Aer Lingus had had regular contact with working-level DAA officials on the terminal, the DAA Board of Directors had refused to consider expansion until this past week.

¶5. Aer Lingus could enjoy the full benefits of trans-Atlantic Open Skies only if the new terminal were also configured to enable U.S. Customs and Border Protection (CBP) to conduct full pre-clearance, adding agricultural and customs checks to passport screening, remarked Mannion. The Ambassador said that he was focused not only on the DAA's plans to accommodate CBP in the new terminal, but also on dealing with mounting passenger congestion in CBP's current facilities over the next two summers, especially with the likely onset of bilateral Open Skies. Mannion pointed out that a delay in the terminal's opening till 2010 would exacerbate pressures on CBP staff. He added that CBP would be key to Aer Lingus' plans to link its new Dublin-Dubai service with established Dublin-U.S. flights in 2007, since Middle Eastern passengers would prefer to be pre-cleared outside the United States. Mannion and the Ambassador agreed to continue coordinated approaches to the DAA on CBP's needs, with emboffs noting the possibility of moving sooner to full pre-clearance in the more spacious Shannon Airport.

Comment: Pressing the cases for Boeing and CBP

¶6. This was the Ambassador's third meeting with Mannion since he assumed his Aer Lingus post last summer, and in each discussion the Ambassador has urged Aer Lingus to choose

Boeing and to choose quickly, with orders for the 787 Dreamliner now backed up to roughly 2011. In previous discussions, Mannion noted difficulties in placing orders during ongoing negotiations with labor about the stock flotation, lest he create doubts about his commitment to reduce the carrier's reported euro 340 million pension deficit with the flotation proceeds. The Irish Cabinet's April 5 decision to proceed with the stock flotation has lent certainty to Aer Lingus' ability to raise equity for the aircraft orders. We are concerned, however, that the Dublin Airport sizing issue might become another reason for delay in Aer Lingus' aircraft purchase decisions.

17. Post will continue to press the case for upgrading CBP operations at Dublin and Shannon Airports. In a recent dinner with Irish Parliament's Foreign Affairs Committee, the Ambassador described the potential advantages of full pre-clearance for Dublin as a trans-Atlantic hub, leading one committee member to raise the issue in Parliament the next day. Shannon Airport has also hired a U.S. consultant to do a feasibility study on Shannon's ability to move to full pre-clearance. We look forward to receiving from CBP headquarters an updated standards document that outlines for airports the logistical requirements for CBP to provide full pre-clearance.
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